



10th
ANNUAL
REPORT

CANADIAN
PETROFINA
LIMITED

1963

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Vice-President (Exploration & Production)
J. R. PATTON,
Vice-President (Refining)
A. W. McLEOD,
Secretary

EXECUTIVE OFFICES

The Royal Bank of Canada Building
1 Place Ville Marie,
Montreal 2, Quebec, Canada

AUDITORS

Clarkson, Gordon & Co.

TRANSFER AGENTS

Montreal Trust Company
Morgan Guaranty Trust Company
of New York.

REGISTRARS

The Royal Trust Company
The Bank of Canada Trust Company.

Ce Rapport a été publié en français et en anglais. Si vous préférez
un exemplaire français, veuillez en faire la demande au—
Secrétaire, Canadian Petrofina Limited,
1 Place Ville Marie, Montréal 2, Québec, Canada.

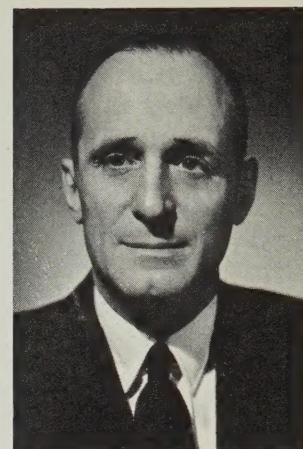


1963

10th ANNUAL REPORT

CANADIAN PETROFINA LIMITED

President's Letter



This Annual Report marks the tenth year of our operations, and I would like to address a few personal remarks to the shareholders and staff.

The entry of Canadian Petrofina Limited into the highly competitive Canadian oil business in 1953 required the courage and confidence of the initial equity investors, the support of various financial institutions and also the loyalty and aggressive spirit of its employees.

Ten years is a relatively short period of time in any major enterprise. I consider the growth which has taken place, from a zero starting point to a corporation with assets of approximately two hundred million dollars, to be an achievement of importance. The expansion of the physical plant has been accompanied by a material improvement in earnings. As you will see elsewhere in this report, the Company's net profit from operations in 1963 reached a new high of six million nine hundred and seventy-two thousand dollars.

The counsel and guidance received from the parent organization and our directors, coupled with the confidence of the purchasing public in the many products that we manufacture, have contributed to the success which has been achieved.

Our staff deserve special commendation. I have been loyally supported, at all times, by my senior officers and by all the Company's employees. They have laboured effectively, under difficult competitive conditions, to create a profitable corporate organization of considerable magnitude.

As the second decade of operations commences, I look forward to further growth and profitability, a greater participation by Canadians in the equity ownership of the Company and a continuation of the helpful support that we have received throughout the first ten years of our history.

A. Campo

President.

To the Shareholders:

The lull in the trend of business activity, which occurred in late 1962, ended early in 1963 and at the year end there were no signs of weakness in most sectors of the economy. The result has been a year of substantial growth in Canada's general economic position.

Gross National Product, under the impetus of large gains in consumer spending as well as in business and government expenditures, increased. The lower exchange rate stimulated the growth of exports by 7% over 1962 and was instrumental in assisting domestic manufacturers to compete against imported goods.

The expansion of the economy created an improvement in the perennial unemployment problem and, with the new jobs available, unemployment decreased to an average of 5.5% of the total labour force. Labour income increased 6% over the previous year's figure.

The economic expansion had a favourable impact on the Canadian petroleum and natural gas industry. Production of crude oil and natural gas liquids reached 785,000 B/D in 1963, a gain of 7% over the previous year. Of this production 251,000 B/D were exported to the United States, an increase of almost 7% over 1962.

The demand for additional sources of energy paralleled the growth in the domestic economy and increases in the consumption in Canada of petroleum and natural gas were experienced.

Natural gas sales increased about 10% while sales of petroleum products expanded by 5.5%. In order to meet the demand for refined petroleum products, refineries increased their throughput by 7%. Motor gasoline, as the principal manufactured product, increased more than 6% in line with the growth in automobile registrations. Middle distillates recorded a gain of close to 4.5% despite very mild weather in the last quarter of the year.

The economic expansion in 1963 did not create any excesses as inventories remained low and prices relatively stable. The year 1964 began with a strong upward trend and the promise of good gains in exports based on our wheat sales. Although the consumer will probably not spend as much on durable goods in 1964, it is expected that strength in the capital expenditure sector will more than make up for the decrease. In all, 1964 should record a gain of between 4 and 5% in total output of goods and services. The oil and gas industry will benefit from this continuation of expansion and demand for petroleum products should increase at the same rate as the general economy.

With respect to your Company's operations, the year 1963 was successful from the volume and profit aspects. The refinery at Pointe-aux-Trembles operated throughout the year at a figure in excess of its rated capacity and, despite a continuation of highly competitive conditions, we were able to maintain our share of the available markets for refined petroleum products.

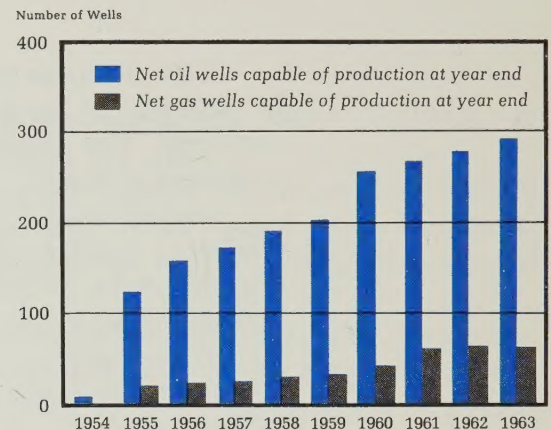
The operations of our exploration and production facilities were again successful in 1963. Crude oil and natural gas liquids production increased 2% over the previous year, while gas sales showed an improvement of 5.9%.

Diversification of the products manufactured by your Company has been one of our goals. In 1964, the construction of a Polyisobutylene plant and the production of Vanadium Pentoxide will be commenced. These are the first of such facilities to be constructed in Canada. Domestic and foreign markets have been established for the products, so the profitability of the two projects is expected. The full impact of earnings from these sources will not be evidenced until 1965.

We regret to report the death, during the year, of one of our Directors, Mr. Henri Lafond, and the resignation of two Directors due to other responsibilities.

Three new Directors joined our Board during 1963 — Messrs. Charles de Bar, Emmanuel Lamy and Sam Steinberg. We welcome these prominent businessmen and look forward to benefiting from their counsel and guidance in the conduct of the affairs of your Company.

EXPLORATION AND PRODUCTION



Your Company, through its wholly-owned subsidiary, Canadian Fina Oil Limited, participated in the drilling of 86 wells in 1963 on lands in which varying interests are held. This activity resulted in 41 oil wells and 11 gas wells. At December 31, 1963, Canadian Petrofina held an interest in 3,886 oil wells and 314 gas wells amounting to 290 net oil wells and 63 net gas wells.

The 1963 program consisted of participation in geophysical surveys in north east British Columbia and in the Whitecourt, Keystone and several other areas of Alberta. It also included the drilling of wildcat wells in the Trutch Creek and Kahntah areas of British Columbia and in the Keg River, Whitecourt and Arrowwood areas of Alberta. The significant feature of this program was the discovery of a new Devonian gas reservoir in the north west Pine Creek area at Whitecourt, where the Company holds an interest in a large group of lease blocks. A well drilled as a follow-up to the discovery was also successful.

At year-end, our consolidated holdings of all types of petroleum and natural gas rights approximated 5,400,000 gross acres. Included in these holdings are 100,000 acres of rights in the Athabasca Oil Sands area of Alberta in which a 28% interest is held.

The Company's share of crude oil and natural gas liquids production for 1963, before royalties, totalled 4,393,000 barrels. This production averaged 12,000 barrels per day compared with 11,800 barrels per day in 1962. Sales of natural gas totalled 20,320 million cubic feet, before royalty, compared with 19,186 million cubic feet in 1962. The oil wells in which the Company holds an interest were producing at 35% of their maximum permissible rate at the end of the year compared with 33% at the end of 1962.

The development program for the past year included the drilling of oil wells at Boundary Lake, British Columbia; at Snipe Lake, Pembina and Sylvan Lake in Alberta and in south east Saskatchewan. Gas wells were drilled at Rigel, British Columbia and at Whitecourt and Provost in Alberta. The Whitecourt gas processing plant and gathering system facilities were enlarged to provide additional producing, dehydration and injection capacity.

During the year, the Company conducted a detailed engineering study of its crude oil and natural gas reserves. This examination justified a substantial upward revision in its previous estimates of recoverable reserves. The 1963 exploration program and the institution of secondary recovery procedures contributed to this growth.

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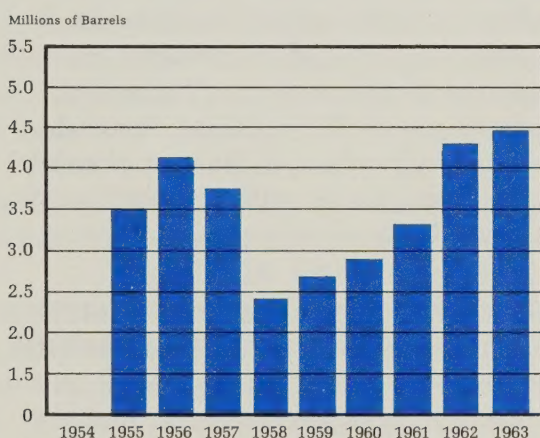
In 1954, your Company first entered the Exploration and Production phase of the oil industry in Canada. In the intervening years, through the expansion of its interests, by investment in various exploratory ventures or the acquisition of other companies, this portion of our activities has shown a major growth.

This expansion is best portrayed by the three accompanying ten year graphs showing "Oil and Gas Liquids Production", "Natural Gas Sales" and the number of "Net Oil and Gas Wells", in which the Company has an interest. Also, the following particulars indicate the significant discoveries that have been made during the past ten years on properties in which your Company held or acquired an interest.

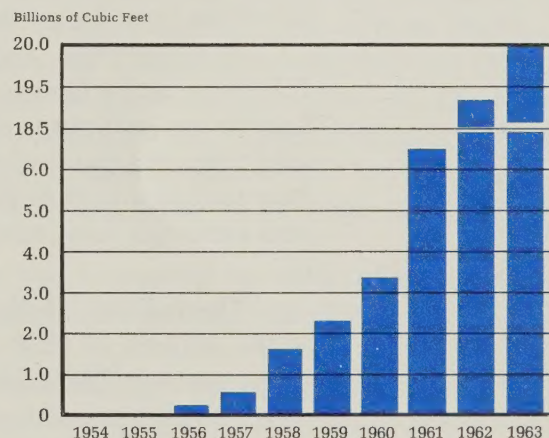
Year	Field	Province	Nature of Reservoir
1955	Windfall	Alberta	Devonian Condensate
	Rigel	British Columbia	Lower Cretaceous Gas
1956	Oxbow	Saskatchewan	Mississippian Oil
1957	Pine Creek	Alberta	Devonian Gas
	Boundary Lake	British Columbia	Triassic Oil
1958	Wildcat Hills	Alberta	Mississippian Gas
1962	Benjamin Creek	Alberta	Mississippian Gas
1963	North West Pine	Alberta	Devonian Gas

At the end of 1963, approximately one-half of the Company's total assets were located in Western Canada and it is from this source that a substantial portion of its net revenue is derived.

CRUDE OIL AND NATURAL GAS
LIQUIDS PRODUCTION
Before Royalty



NATURAL GAS SALES
Before Royalty



SUPPLY AND TRANSPORTATION

The movement of crude oil and the resulting refined products is one of the major tasks undertaken by your Company each year. In 1963, the refinery was supplied with 11,727,416 barrels of crude oil weighing in excess of one and one half million long tons.

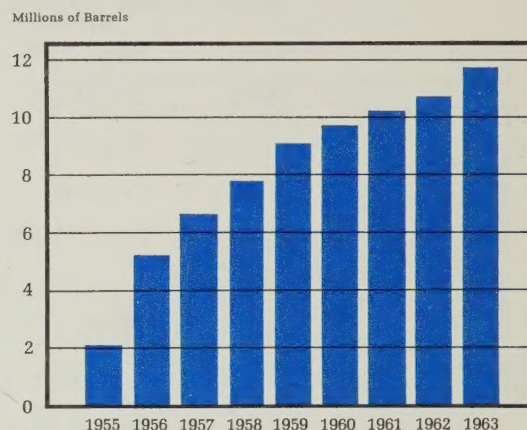
Since it is not economic to utilize Western Canadian crude oil in Montreal, the Company's supply originates in Venezuela and is transported by ocean tankers over a distance of 2,042 nautical miles to Portland, Maine, and thence via the Portland-Montreal Pipe Line directly to our refinery at Pointe-aux-Trembles. Your Company's interest in this pipeline is 10%.

The accompanying chart illustrates the growth in crude oil deliveries during the past ten years.

The logistics of product movement create a comparable problem. During 1963, over four hundred million gallons of various petroleum products were transported from the manufacturing source to the ultimate place of sale. Inland waterways type tankers were used to supply the marine terminals at Quebec, Three Rivers, Chicoutimi and Rimouski in the Province of Quebec, as well as those located at Chatham, Sydney and Halifax in the Maritime Provinces. Highway carriers and 249 railway tank cars were in use to supply other points.

The total cost involved in all these movements is one of the Company's major expenses but, as a result of continuing stringent economies, a saving of 8.2% in the total average per gallon cost was effected in 1963.

PURCHASES AND DELIVERIES OF CRUDE OIL TO THE REFINERY



MANUFACTURING

During 1963, the Pointe-aux-Trembles refinery processed 11,558,998 barrels of crude oil at an average rate of 31,700 barrels per day. This represented an increase of 9.5% over the previous year and established a new record for your Company.

The major capital expenditure during the year was made in connection with a new 40,000 barrel per day Electric Desalter. Other smaller expenditures were made to remove minor throughput bottlenecks with the overall result that the refinery capacity has been raised substantially above its rated 30,000 barrels per day.

Early in 1964, a decision was reached to form a basic petrochemical operation from which the Company will expand in future years. Two new units will be installed for the manufacture of Polyisobutylene and Vanadium Pentoxide. Both these plant additions are the first to be erected in Canada and the cost involved will approximate two and one half million dollars. These plants will go into operation in late summer and earnings from these sources will become available in the last quarter of the year.

. . .

The refinery at Pointe-aux-Trembles was commenced in May 1954 and completed in the autumn of 1955 as a 20,000 barrel per day unit. In August 1956, the Fluid Coking Unit was installed and by the end of 1957 the following new additions had been made — a 100,000 pounds per hour boiler, hydrogen sulphide recovery facilities and increased product storage.

In 1958, by major changes to the Crude Topping Unit and the Ultraformer Unit, the rated capacity of the refinery was increased to 30,000 barrels per day.

In 1959, a new and larger Debutanizer was installed and gas compression facilities were added to the Fluid Coking Unit. In 1960, a Merox Unit was installed to facilitate deliveries of light hydrocarbon to a nearby manufacturing customer.

In 1961, we entered the Asphalt business after constructing a major unit addition for this purpose.

Many other modifications to the refinery have been completed during the ten year interval enabling the Company to broaden its base of operations, develop new lines and create a name for high quality Fina products.

The growth of the refinery is best demonstrated by the following throughput table —

YEAR	CRUDE OIL PROCESSED
1955	1,438,711 bbls
1956	5,401,573 bbls
1957	6,517,684 bbls
1958	7,705,083 bbls
1959	9,180,790 bbls
1960	9,719,816 bbls
1961	10,460,771 bbls
1962	10,551,908 bbls
1963	11,558,998 bbls

MARKETING

During 1963, your Company's marketing organization enjoyed another good volume year. Sales of retail gasoline and middle distillates as well as jet fuel and aviation gasoline showed substantial increases over the 1962 volumes. These increases in the sales of refined products were accompanied by a further expansion in the retailing of lubricating oils, greases and petroleum specialties such as asphalt. Despite these volume increases, turbulent market conditions created depressed prices and minimized marketing profits.

In the late summer of 1963, there was some strengthening of gasoline prices and it is hoped, in the interests of the industry, the dealer organization and the public, that a greater measure of price stability will be in evidence during 1964.

In 1963, to accommodate the requirements of late model automobiles, a new product "Supreme Motor Oil" was introduced after more than 18 months of tests. Early sales figures indicate favourable public acceptance of this "Fina First".

. . .

The growth of the marketing organization in ten brief years of operation warrants particular comment.

The area served by your Company encompasses most of Ontario, all of Quebec and three of the Maritime Provinces. In this area, 73% of Canada's population reside. To serve it and its high per capita automobile ratio, the Company has established 113 bulk terminals, bulk plants and farm trade depots, as well as 1,768 retail outlets. The newest of these embody a marketing concept which combines the "merchandising" of automotive accessories with the standard "service" requirements of the motoring public.

The Company now markets sixty-four different types of branded gasolines, oils, greases and asphalt.

Over the 10 year period, the Company has increased its sales of all petroleum products on the average of 8% each year and has, on several occasions, exceeded the industry growth in this respect.

The name "Fina" has become associated with high quality products, aggressive sales effort and new ideas. At this stage, notwithstanding the problems of marketing in a highly competitive area, we look forward to further expansion and to obtaining from year to year a larger part of the petroleum market in Canada.

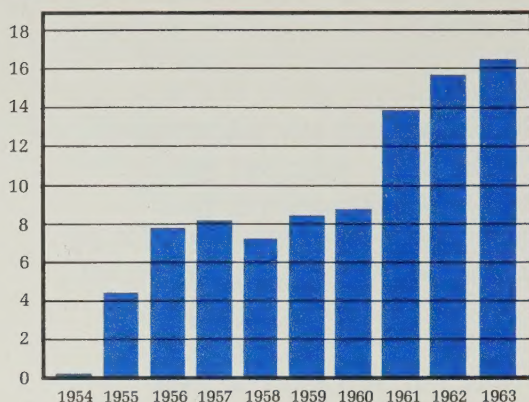
FINANCIAL REVIEW

The consolidated net operating profit of the Company for the year 1963 was \$6,972,654. In 1962, the figure was \$6,045,801 to which was added \$660,000 arising from a non-recurring capital profit, for a total of \$6,705,801. The increase in operating profit over 1962 was 15.3%.

The Company has a wholly-owned foreign subsidiary which engages in international ship chartering as well as in the buying and selling of crude oil and refined products in world markets. In 1963, the volume of this business, handled by the subsidiary, was large. This, in part, accounts for the increase in operating income reflected in the Financial Statements.

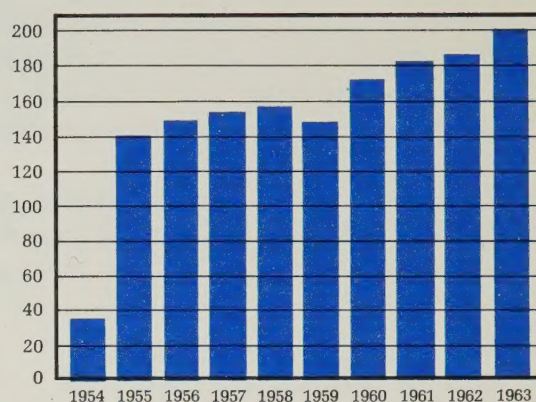
CASH GENERATED FROM OPERATIONS

Millions of Dollars



TOTAL ASSETS

Millions of Dollars



Cash generated by the Company from operations amounted to \$16,399,000 compared with the previous year's figure of \$15,859,000.

Equating the Ordinary shares to the Participating Preferred shares on the basis of 10:1, the total net earnings from all sources were 71.1 cents per Participating Preferred share in 1963 and 68.5 cents per share in 1962.

During 1963, the Company paid its second annual dividend of 60 cents per share on the Participating Preferred shares and 6 cents per share on the Ordinary shares. Dividends have been paid on an annual basis rather than on a quarterly basis in order to minimize costs of distribution of the dividend.

Notwithstanding the payment of the dividend in the amount of \$5,900,000 and the investment of over \$9,000,000 in our Production, Marketing and Refining facilities in 1963, working capital at the year-end was \$10,153,000.

During recent years, the participation by Canadians in the equity ownership of the Company has undergone a marked change. Since 1958, the number of Canadian shareholders has more than doubled and now stands at 3,832.

The financial expansion of the Company during its ten years of operation has been marked by a major increase in physical assets accompanied by a commensurate growth in profitability. A summary of these developments appears on the last page of this report.

Submitted on behalf of the Board,

A. Campo

President.

March 11, 1964.



CANADIAN PETROFINA LIMITED AND SUBSIDIARIES

Consolidated Statement of Profit and Loss

and Earned Surplus FOR THE YEAR ENDED DECEMBER 31, 1963

(with comparative figures for the year ended December 31, 1962)

	1963	1962
Gross income:		
Operating income	\$129,231,032	\$81,926,325
Interest and other income (including in 1962 a profit of \$660,000 on sale of real estate)	2,157,221	2,624,979
	<u>\$131,388,253</u>	<u>\$84,551,304</u>
Operating charges:		
Costs, operating, selling and general expenses	\$111,503,858	\$64,857,836
Taxes other than income taxes	1,960,048	1,756,115
Depreciation, depletion and amortization	8,191,311	8,489,778
Exploration and unproductive development	1,106,188	1,192,362
	<u>\$122,761,405</u>	<u>\$76,296,091</u>
	\$ 8,626,848	\$ 8,255,213
Interest and discount on long-term debt	<u>1,626,577</u>	<u>1,479,010</u>
Income before taxes on income and minority interests	<u>\$ 7,000,271</u>	<u>\$ 6,776,203</u>
Taxes on income	\$ 5,117	\$ 47,902
Net income applicable to minority interests	22,500	22,500
	<u>\$ 27,617</u>	<u>\$ 70,402</u>
Net income for the year	\$ 6,972,654	\$ 6,705,801
Earned surplus at beginning of year	11,631,743	9,782,011
	<u>\$ 18,604,397</u>	<u>\$16,487,812</u>
Dividends:		
Preferred (note 3)	\$ 4,676,129	\$ 3,656,069
Ordinary	1,200,000	1,200,000
	<u>\$ 5,876,129</u>	<u>\$ 4,856,069</u>
Earned surplus at end of year	<u>\$ 12,728,268</u>	<u>\$11,631,743</u>

Consolidated Balance Sheet

DECEMBER 31, 1963
(with comparative figures at December 31, 1962)

	1963	1962
ASSETS		
<i>CURRENT:</i>		
Cash	\$ 4,468,486	\$ 3,850,731
Marketable securities — at cost		
which approximates market	100,549	78,936
Accounts receivable, less allowance for doubtful accounts	26,725,384	16,557,511
Due from affiliated companies	1,498,935	1,386,483
Inventories — at the lower of cost or market —		
Oil products and other merchandise (note 1)	17,466,708	16,771,276
Materials and supplies	1,261,726	1,154,612
Prepaid expenses	892,469	841,825
Total current assets	<u>\$ 52,414,257</u>	<u>\$ 40,641,374</u>
<i>INVESTMENTS AND ADVANCES — at cost:</i>		
Notes of affiliate	\$ 3,395,000	\$ 4,225,000
Investment in affiliated company	1,969,250	1,969,250
Investments in other companies	2,628,561	2,649,942
Exploration, development and production deposits	180,022	204,716
Mortgages and other advances (note 4)	9,522,224	5,265,450
	<u>\$ 17,695,057</u>	<u>\$ 14,314,358</u>
<i>PROPERTIES, PLANT AND EQUIPMENT:</i>		
Producing, refining and marketing facilities, at cost	\$183,273,119	\$174,955,222
Less accumulated depreciation, depletion		
and amortization	59,469,575	52,184,805
	<u>\$123,803,544</u>	<u>\$122,770,417</u>
<i>DEFERRED CHARGES:</i>		
Unamortized debt discount and expense	\$ 149,529	\$ 167,473
Other	1,224,818	1,450,348
	<u>\$ 1,374,347</u>	<u>\$ 1,617,821</u>
<i>PREMIUM PAID ON ACQUISITION OF SUBSIDIARIES</i>	<u>\$ 6,473,985</u>	<u>\$ 6,473,985</u>
	<u>\$201,761,190</u>	<u>\$185,817,955</u>

On behalf of the Board:

L. Wolters, Director

A. F. Campo, Director



CANADIAN PETROFINA LIMITED AND SUBSIDIARIES
(Incorporated under the laws of Canada)

**LIABILITIES
AND
CAPITAL**

	1963	1962
CURRENT:		
Accounts payable and accrued charges	\$ 18,223,259	\$ 11,095,154
Due to affiliated companies	5,510,870	—
Due to parent company	13,242,455	10,050,785
Notes and bills payable	1,300,000	3,297,656
Current maturities of long-term debt	3,984,228	3,204,328
Total current liabilities	<u>\$ 42,260,812</u>	<u>\$ 27,647,923</u>
 ADVANCES BY PARENT COMPANY (U.S. \$5,000,000)		
not due within one year	4,823,440	4,823,440
LONG-TERM DEBT (note 2)	27,910,167	27,808,096
MINORITY INTERESTS	500,946	500,946
Total liabilities	<u>\$ 75,495,365</u>	<u>\$ 60,780,405</u>
 CAPITAL STOCK AND SURPLUS:		
6% non-cumulative participating preferred shares of \$10 par value —		
Authorized: 10,000,000 shares		
Issued and outstanding:		
1963 7,806,724 shares (note 3)	\$ 78,067,240	
1962 7,793,549 shares		\$ 77,935,490
Ordinary shares of \$1 par value —		
Authorized, issued and outstanding:		
20,000,000 shares	20,000,000	20,000,000
Capital surplus	15,470,317	15,470,317
Earned surplus — per accompanying statement	12,728,268	11,631,743
	<u>\$126,265,825</u>	<u>\$125,037,550</u>
 COMMITMENTS AND CONTINGENCIES (note 4)		
	<u>\$201,761,190</u>	<u>\$185,817,955</u>

**AUDITORS'
REPORT**

To the Shareholders of Canadian Petrofina Limited:

We have examined the consolidated balance sheet of Canadian Petrofina Limited and subsidiaries as at December 31, 1963 and the related consolidated statement of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Canadian Petrofina Limited and subsidiaries as at December 31, 1963 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada,
March 5, 1964.

Clarkson, Gordon & Co.
Chartered Accountants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1963

1. ACCOUNTING POLICIES

The policy is followed of expensing the cost of dry holes, general exploratory expenses and overhead as incurred, and of capitalizing exploratory survey expenditures and carrying charges on non-producing properties as part of the cost of such properties. Certain of the expenditures capitalized in the accounts have been claimed as deductions for income tax purposes. Depletion of producing lease and well costs is provided on the unit of production method based upon estimated reserves of oil, gas and other saleable products.

Cost of inventories of oil products has been determined on the basis of the last-in first-out method consistent with the preceding year.

2. LONG-TERM DEBT

Canadian Petrofina Limited —

4% Convertible sinking fund debentures Series A, due May 1, 1972 (issued \$25,000,000 less converted into participating preferred shares or redeemed \$15,496,000)	\$ 9,504,000
Non-interest bearing loan due \$500,000	
September 30, 1964 and the balance on September 30, 1965	1,836,320
Unsecured loans (U.S. \$1,500,000)	1,616,719
Other	946,366
	<u>\$13,903,405</u>

Subsidiaries —

5 ³ / ₄ % Debenture due \$1,000,000 in 1964 and the balance on June 15, 1965	\$10,500,000
6 ³ / ₄ % First mortgage repayable in monthly instalments to May 1, 1981	2,466,450
3 ³ / ₄ %-4 ¹ / ₂ % Sinking fund bonds due July 1, 1966 and October 1, 1974	1,056,000
Secured loans repayable \$1,535,000 in 1964 and the balance in 1965	3,070,000
Other	898,540
	<u>\$17,990,990</u>
	<u>\$31,894,395</u>
Less instalments included in current liabilities	3,984,228
	<u>\$27,910,167</u>

Under the terms of the trust deed securing the 4% Convertible Sinking Fund Debentures, Series A, no cash dividends may be paid on any shares of the capital stock of the Company, if after payment of such a dividend, the consolidated net current assets would be reduced to less than 25% of the principal amount of all Series A Debentures outstanding at the time of payment of such dividend.

Options —

The Company has reserved 285,120 shares to permit the exercise of the conversion rights attaching to the outstanding 4% Convertible Sinking Fund Debentures, Series A.

The Company has also reserved 159,650 shares for issuance under a stock option plan. As at December 31, 1963, the balance of shares not taken up under existing options is 144,950 shares, particulars being as follows:

Number of shares	Price per share	Exercisable
125,850	\$10	To July 31, 1965
7,000	\$12	To October 31, 1967
5,000	\$12	From October 1, 1965 to September 30, 1969
600	\$12-5/8	From February 1, 1964 to January 31, 1968
6,500	\$14	From March 1, 1964 to February 29, 1968

During the year, options on 13,175 shares were taken up at an aggregate price of \$131,750.

Dividends —

The parent company was not entitled in 1962 to dividends on the 1,700,000 fully paid participating preferred shares issued to it in connection with the acquisition of Canadian Fina Oil Limited in 1961.

4. COMMITMENTS AND CONTINGENCIES

Annual rents on long term leases expiring more than three years after the balance sheet date amount to approximately \$3,450,000.

Included in mortgages and other advances is an advance of \$2,761,982 to an associated company, the bank loan of which, amounting to \$3,000,000 at December 31, 1963, is guaranteed by the Company. Since commencing operations in the latter part of 1962 the associated company, in the course of developing its business, has been operating at a loss. At the present stage of development there is no reason to believe that losses already incurred or that may yet be incurred will not be recovered from future earnings.

The company has also guaranteed loans of other associated companies aggregating \$4,300,000 at December 31, 1963.

Since December 31, 1963, the federal tax authorities have issued notices of re-assessment for the years 1960 and 1961 indicating material disagreement with the basis of computing taxable income followed by the Company. In the opinion of the Company's legal advisors the re-assessments are unfounded in law.

5. DIRECTORS' FEES AND LEGAL FEES AND EXECUTIVE REMUNERATION

The amounts paid during the year were as follows:

Directors' fees	\$ 13,250
Legal fees and executive remuneration	284,500



Ten Year Review of Operations

	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954
Crude oil and natural gas liquids production (before royalty) for the year (thousands of barrels) . .	4,393	4,306	3,306	2,934	2,666	2,403	3,253	4,151	3,501	6
Natural gas sales (before royalty) for the year (millions of cubic feet) . .	20,320	19,186	6,500	3,399	2,297	1,627	526	63	—	—
Number of net oil wells in which Canadian Petrofina Limited held an interest .	290	276	265	256	201	191	172	157	123	3
Number of net gas wells in which Canadian Petrofina Limited held an interest .	63	62	60	43	34	29	24	23	22	—
Gross acreage (thousands of acres) . . .	5,400	5,800	6,180	5,300	5,040	4,945	5,445	5,500	6,250	17
Crude oil run to refinery stills for the year (thousands of barrels) . .	11,559	10,552	10,461	9,720	9,181	7,705	6,518	5,402	1,439	—
Retail outlets served	1,768	1,751	1,711	1,679	1,591	1,569	1,538	1,500	1,210	373
Number of employees . . .	1,116	1,146	1,092	856	979	958	1,053	925	627	318
In Thousands of Dollars										
Gross income for the year .	131,388	84,551	67,677	61,556	59,863	54,295	53,831	49,819	25,844	7,865
Net earnings after taxes . .	6,973	6,706	5,517	1,031	1,376	665	1,998	2,160	1,201	163
Minority interest in net profits	23	23	23	65	79	66	108	172	131	—
Depreciation, depletion and amortization (excluding amortization of excess cost)	7,238	7,014	6,047	5,609	5,335	4,923	4,397	4,002	1,489	106
Amortization of excess cost over book value of subsidiaries' producing properties	953	1,476	1,069	909	904	805	1,127	1,211	722	—
Exploration and development expenses written off . . .	1,106	1,192	1,307	1,029	676	720	520	348	911	—
Amortization of patents and other costs	106	108	106	97	96	92	59	70	26	—
Total cash generated . . .	16,399	16,519	14,069	8,740	8,466	7,271	8,209	7,963	4,480	269
Working capital	10,153	12,993	11,251	11,262	11,551	8,378	8,649	5,572	13,618	8,597
Total assets	201,761	185,818	182,938	174,124	150,848	158,148	153,770	150,267	140,804	37,359
Long-term debt	27,910	27,808	30,699	30,352	24,579	25,662	26,536	30,928	40,493	—
Book value of shareholders' equity	126,266	125,038	122,981	117,399	103,047	101,442	100,049	93,626	83,789	30,873

